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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, May 29

10:03

Met with JDA Director-General Nukaga at Kantei. Later, met with Chief Cabinet Secretary Abe, Deputy Chief Cabinet Secretary Futahashi, and others. Afterwards, met with Deputy Vice Foreign Minister Nishida.

11:12

Met with Philippine House Speaker Venecia.

12:24

Attended a memorial service at the Chidorigafuchi War Cemetery at Sanban-cho, Tokyo.

14:13

Met at Kantei with Foreign Minister Aso and MOFA Asian and Oceanian Affairs Bureau Director-General Sasae. Later, met with Agriculture Minister Nakagawa and METI Minister Nikai.

15:04

Met with MOFA Consular Affairs Bureau Director-General Tanizaki.

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17:02

Attended an LDP executive meeting in Diet.

17:40

Attended a meeting of the Gender Equality Council at Kantei.

18:02

Attended a meeting of the Security Council and afterwards met with Minister of Internal Affairs and Communications/Minister in Charge of Postal Services Privatization Takenaka.

18:42

Arrived at residence.

4) World Bank governor reiterates need for new international conference to discuss financial aid for Iraq

NIHON KEIZAI (Page 1) (Full)
May 30, 2006

In an interview with a Nihon Keizai Shimbun reporter in Tokyo yesterday, visiting World Bank Governor Paul Wolfowitz reiterated the need for a new international conference to be held to discuss specific assistance measures, such as the transfer of funds and technology, for the self-sustainability of the newly established Iraqi government that is now operating full scale. Regarding North Korea, the governor said that if Kim Jong Il and other leaders made a bold policy switch, for instance, an implementation of economic reform, the World Bank would consider assistance to that nation.

The governor also said that it would be desirable for the World Bank to play the role of providing the Iraqi government with expert advice on measures to prevent corruption and poverty, in addition to financial aid.

On the proposed new international conference, Wolfowitz said: "The international community would be able to learn the present situation in Iraq through such a conference," adding that the Iraqi side had expressed an expectation for a new conference during periodic talks held between the World Bank and Iraq from before the inauguration of the new government in Iraq.

5) Java earthquake: Japan to send SDF troops to quake-hit area for medical support

YOMIURI (Page 1) (Full)
May 30, 2006

Defense Agency Director-General Nukaga late yesterday instructed the Self-Defense Forces (SDF) to ready themselves to engage in international emergency rescue activities in Java Island, Indonesia, which was earlier hit by an earthquake. A medical unit

from the Ground Self-Defense Force (GSDF) and a transport unit from the Air Self-Defense Force (SDF) will be sent to the region. An advance team of 19 officials will depart for the region this morning.

The medical unit will be composed mainly of personnel from the 10th Chubu Ground Defense Force (based in Nagoya City). Personnel to be dispatched are expected to reach several hundreds. This

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dispatch was decided in response to the Indonesian government's request made yesterday to Japan.

6) Gov't rejects Okinawa's call for changes to USFJ realignment plan; Cabinet decision today, with first consideration given to bilateral agreement

ASAHI (Page 1) (Abridged)
May 30, 2006

The government yesterday held a meeting of the Security Council of Japan (SCJ), in which the government decided to implement a final agreement reached between Japan and the United States on the planned realignment of US forces in Japan. The SCJ decision will be adopted in a cabinet meeting to be held today. In this decision, the government only says the planned relocation of the US Marine Corps' Futenma Air Station in Okinawa Prefecture will be "based on a plan approved in the Japan-US Security Consultative Committee (two-plus-two ministerial)." The decision does not specify a bilateral agreement to relocate Futenma airfield to the cape of Henoko in the island prefecture's northern coastal city of Nago. In the meantime, Okinawa Prefecture has asked the government to disapprove the coastal relocation plan. With a Japan-US summit scheduled ahead, however, the government has rejected Okinawa's call for changes to the plan in order to give precedent to the bilateral agreement over local consent. There are concerns even from within the government about this course of action.

The government is expected to make a cabinet decision today on the US force realignment, featuring Japan's cost sharing for the redeployment of US Marine Corps troops from Okinawa to Guam and the relocation of Futenma airfield. In the cabinet decision expected today, the government will also repeal its previous 1999 cabinet decision, which adopted a now-revised "Henoko offshore plan" and incorporated a package of pump-priming measures for local communities.

"We cannot accept the Japan-US agreement," said Yoritaka Hanashiro, chief of the Okinawa governor's office. "This point should be reflected (in the government's decision)," Hanashiro added. Okinawa is also opposed to repealing the 1999 cabinet decision. Hanashiro also said, "We don't know if the government will continue the economic package for local communities in the prefecture's northern districts."

In yesterday's cabinet ministerial meeting, Minister of State for Okinawa Affairs Koike suggested the need to modify the cabinet decision. "I hope the cabinet decision will clarify economic packages for Okinawa," Koike said in the ministerial meeting.

Even so, the government rejected Okinawa Prefecture's call for changes to the plan. For one thing, it has been a month since the final agreement was reached between the Japanese and US governments. For another, a Japan-US summit is scheduled for June 129. The government has therefore given first consideration to its commitment there to implement the final agreement. Meanwhile, Okinawa Governor Keiichi Inamine will leave Japan on June 4 for the United States. This also prodded the government to expedite the decision.

7) Foreign Ministry upset at Defense Agency's mention of nothing

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in final plan about Futenma relocation site

SANKEI (Page 2) (Abridged)

May 29, 2006

The government will hold a cabinet meeting today to discuss its policy regarding the final agreement reached between Japan and the United States on the planned realignment of US forces in Japan. However, the Foreign Ministry is strongly upset with the Defense Agency, claiming that the agency's final draft specifies nothing about where to relocate the US Marine Corps' Futenma Air Station. "It fails to reflect the Japan-US agreement," a Foreign Ministry official said. Foreign Minister Taro Aso will call for the agency to retouch the draft in today's meeting of cabinet ministers. The Defense Agency has revealed a lack of interdepartmental coordination.

Today's cabinet ministerial will be held with the participation of Aso, Chief Cabinet Secretary Shinzo Abe, Defense Agency Director General Fukushiro Nukaga, Finance Minister Sadakazu Tanigaki, and Minister of State for Okinawa Affairs Yuriko Koike.

The Defense Agency's initial draft specified a plan to lay down two runways in a V-shape at a Futenma alternative facility to be built in a coastal area of Camp Schwab in the city of Nago, noting that Futenma airfield will be relocated to a coastal area across the cape of Henoko and contiguous waters in Oura Bay and Henoko Bay. However, Okinawa Prefecture has been opposed to the V-shaped plan for that coastal area. The Defense Agency therefore crossed out all these specific place names in its final draft. The final draft says the Futenma relocation will be implemented "on the basis of a plan approved in the Japan-US Security Consultative Committee (on May 1)."

However, the Foreign Ministry claimed on May 26 that the Defense Agency's final draft fails to ensure the construction of the V-shaped airstrips. The Foreign Ministry, in its proposal to the Defense Agency, took the position that the final draft is inappropriate for a cabinet decision since it does not set forth the government's course of action to implement the Japan-US agreement. Koike also suggested the need to coordinate on the final draft, saying, "I hear Okinawa Prefecture and Nago City have yet to consent (to the coastal relocation plan)." In the meeting, Koike pointed out that the final draft fails to incorporate Okinawa Prefecture's position. She is expected to clarify her cautious view when the government makes a cabinet decision on May 30.

Meanwhile, Okinawa Prefecture has also asked the government to change the final draft on economic stimulus packages. That is because the final draft is unclear on whether the government will continue its package of economic measures based on the 1999 cabinet decision regarding Futenma relocation. Okinawa Governor Keiichi Inamine will come up to Tokyo today and will likely ask the government to retouch the final draft.

8) Security Council of Japan approves US force realignment basic policy; Okinawa to announce disapproval of government policy

YOMIURI (Page 4) (Full)

May 30, 2006

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The government decided at a Security Council of Japan meeting yesterday on its basic policy concerning the implementation of US force realignment plans. The cabinet is scheduled to formally approve the government's basic policy this morning. Okinawa Gov. Keiichi Inamine is expected to announce his disapproval of the policy today, saying, "It does not reflect Okinawa's wishes."

The basic policy will abolish the December 1999 cabinet decision incorporating economic stimulus measures for the northern part of Okinawa based on the original Henoko offshore plan for the relocation of Futenma Air Station. Okinawa is reacting strongly to the repeal of the 1999 cabinet decision for fear of losing

economic stimulus measures for the northern part. On May 11, Defense Agency Director General Fukushiro Nukaga and Inamine signed a basic agreement signifying "continued talks based on the government's plan." Okinawa is unhappy with the draft cabinet decision devoid of "continued talks."

9) Defense spending also subject to budget cut: LDP policy chief Nakagawa

TOKYO SHIMBUN (Page 2) (Full)
May 29, 2006

Liberal Democratic Party (LDP) Policy Research Council Chairman Hidenao Nakagawa revealed in a speech delivered in Kagoshima City on May 28 that the LDP would make defense expenditures subject to budget cuts. He stated: "It's time to conduct a national debate on the cost for realigning US forces in Japan and a review of the Midterm Defense Buildup Program (Chukibo)."

He pointed out the need for reducing defense budget, saying, "In order to avoid large-scale tax hikes, we must have great resolve." He indicated: If Japan demonstrates to the international community that it can participate by its action (rather than just by offering money) for international peace, its burden will be lessened."

10) Government, ruling coalition to submit bill to upgrade Defense Agency to ministry status to current Diet session

SANKEI (Page 5) (Full)
May 27, 2006

The government and ruling parties decided on May 26 to submit a bill to raise the Defense Agency to ministry status to the ongoing session of the Diet. The Liberal Democratic Party's (LDP) Cabinet and Defense divisions formally approved the bill in a joint meeting the same day. The bill will be submitted to the Diet, waiting for a conclusion of the internal procedures of the LDP's junior coalition partner New Komeito. However, the outlook is that it will be difficult to get the bill through the Diet during the current session. The bill, therefore, will be a major issue of an extra Diet session slated for the fall. The bill stipulates that the Defense Facilities Administration Agency would be abolished and its operations transferred to the Defense Agency. It also stipulates that international peace cooperation activities would be raised to a primary duty for the Self-Defense Forces.

11) JDA to penalize firms with maximum fine of 80% of contract money if they leak defense secrets

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NIHON KEIZAI (Page 1) (Excerpts)
May 28, 2006

The Defense Agency (JDA) decided to obligate firms contracted with it for production of defense-related equipment, such as missiles and radar, to pay a penalty if they leak defense secrets. The JDA will stipulate a penalty provision in a contract

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and thereby urge firms that leak information to pay a maximum penalty of 80% of the value of the contract. This policy is expected to apply to more than 100 firms, including Mitsubishi Electric Corp. and Mitsubishi Heavy Industries. The JDA, which aims to implement this policy in June, will hurriedly make coordination with firms on the policy.

This move by the JDA came, primarily sparked by the revelation in January that data relating to the development stage of surface-to-air missiles had leaked to an organization affiliated with the pro-Pyongyang General Association of Korean Residents in Japan (Chongryon). The United States also has a strong interest in Japan's management of classified data, as the US is to jointly develop a missile defense system with Japan.

12) China, ROK cancel just before start their participation in six-nation joint exercises to pursue suspicious vessels

YOMIURI (Page 2) (Full)
May 30, 2006

Six countries - Japan, China, South Korea, Russia, the United States, and Canada - planned to carry out joint exercises to pursue suspicious boats in the East China Sea, the Sea of Japan, and other waters starting on May 27, but China and South Korea cancelled their participation just before the start of the drills, according to information obtained by the Yomiuri Shimbun. Both China and South Korea cited unexpected administrative affairs to explain their cancellation, but the speculation is that both countries did so out of consideration to North Korea. The joint exercises are going on among four nations without the participation of China and South Korea.

The Japan Coast Guard (JCG) played a key role in planning the joint drills. The initial plan was to carry out relay pursuit by patrol boats from China, South Korea, Japan, and Russia in the sea areas covering about 2,000 kilometers ranging from Shanghai in China to Russia's coast facing the Sea of Japan. According to the JCG, China and South Korea informed the JCG of their cancellation in the joint exercises on the afternoon of May 26 and early hours of May 27, respectively.

In the initial plan, a suspicious vessel was defined as a ship of a country under suspicion of transporting weapons of mass destruction out of its boundaries. But on May 26, the JCG changed the status of this ship to a ship suspected of committing such illegal acts as smuggling, including people. Just before the change of the plan, South Korea again asked Japan about the purpose of the training and reportedly said: "It'll be difficult to take part in the training at this point in time."

13) JCG to set up antipiracy office

ASAHI (Page 1) (Abridged)

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May 29, 2006

The Japan Coast Guard (JCG) will launch a special task force to cope with pirates in Southeast Asia, covering the Straits of Malacca, a vital point for international sea traffic. The JCG is mulling sending an official to an international information-gathering body to be newly established in Singapore, as Japanese ships have been attacked there by pirates.

The task force, or the Office of Antipiracy Measures, will be set up at JCG headquarters in January next year. It will be staffed with five personnel for information gathering, analysis, and countermeasures. The office will forward local information to shipping firms.

The JCG will also send an official to a piracy-related information center to be established this year in Singapore. The JCG expects to get information as soon as possible through its local staff and to issue warnings in cooperation with other countries.

14) US urges Japan to support US-India nuke deal; Issue to be taken up at Japan-US summit

ASAHI (Page 1) (Excerpts)
May 27, 2006

The government of the United States has called on the Japanese government to support its decision to back India's nuclear energy development, several Japanese government officials revealed on May 26. President George W. Bush will likely bring the issue to his meeting with Prime Minister Junichiro Koizumi planned for June 29 in Washington. The Japanese government is now studying the issue in the direction of supporting the US decision. There

is strong criticism in the Japanese government that the deal would further undermine the Nuclear Nonproliferation Treaty (NPT). The dominant view in the government is that "Japan as the only country to have suffered nuclear attacks should respond carefully."

India is a nuclear power, but it has not signed the NPT. Washington has explained that if the International Atomic Energy Agency (IAEA) inspects India's civilian nuclear facilities, the nonproliferation structure will be strengthened. However, the US-India deal does not cover inspections of India's military facilities, leading to concerns that nuclear weapons would effectively be placed outside of the international arms control structure.

Japanese government officials said US officials asked major countries, including Japan, for support soon after the deal was concluded with India. Tokyo has not stated its official position, but the government is now considering issuing a statement of basic understanding of the agreement for reasons: 1) the deal enables inspections of India's civilian nuclear facilities, strengthening the nonproliferation structure; 2) it would boost India's economic growth; and 3) Britain and France have already expressed their support.

15) Minshuto head Ozawa may join hands with postal rebels in next summer's Upper House election

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TOKYO SHIMBUN (Page 2) (Full)
May 29, 2006

Asked about the possibility of his party joining hands with independents lawmakers, who left the Liberal Democratic Party (LDP) when they refused to vote for Prime Minister Junichiro Koizumi's postal-privatization bills, Ichiro Ozawa, president of the main opposition party Minshuto (Democratic Party of Japan), responded at a press conference in Tokushima Prefecture on May 28:

"It will be best if our party can join hands in the election with those who think the present LDP is not good. I hope we can cooperate for one purpose - driving the coalition of the LDP and New Komeito into a minority (in the House of Councillors)."

Regarding specific cooperation with postal rebels who were defeated in last September's House of Representatives election, he indicated that his party would back them as independent non-LDP candidates, saying, "It will be best that they will run on our party's ticket. But they are not necessarily required to be official Minshuto candidates if they don't want to do so."

16) Fukuda criticizes Koizumi on Yasukuni "Emotional response is the worst"; Consumption tax hike also suggested

MAINICHI (Page 1) (Full)
May 28, 2006

Former Chief Cabinet Secretary Yasuo Fukuda of the Liberal Democratic Party delivered a speech at a New Komeito Upper House meeting in Nagoya yesterday. In it, touching on Japan's strained relations with China and South Korea due to Prime Minister Junichiro Koizumi's visits to Yasukuni Shrine, Fukuda said:

"The situation is truly unfortunate. If one states, 'What's wrong with paying homage at Yasukuni Shrine?' the other side only becomes emotional. It's not good for top leaders and the general public to react emotionally."

Fukuda's critical comment was apparently directed at the prime minister's attitude about his shrine visits. Fukuda also indicated that the consumption tax rate must be raised by about 5%.

Although he stopped short of announcing his candidacy for the LDP

presidency, Fukuda noted regarding a tax hike: "Your cooperation is essential. I will come here again to ask for your cooperation when the time comes."

He also criticized hard-line views on China in the LDP, stressing the need to improve relations between Japan and China:

"This important bilateral relationship will be very difficult to maintain unless someone deals with them in a cool headed manner. Discussions in Japan have escalated too far. Voices raised here reach China and South Korea, creating a vicious cycle. A quarrel starts when bad words are used with no consideration to each other's position. There is no need to pick a fight."

Fukuda also stated this about a possible consumption tax hike: "The topic is unpleasant to raise, but a 5% hike would generate

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12 trillion yen or so."

17) Mori: Koizumi's successor must not visit Yasukuni Shrine

ASAHI (Page 3) (Full)
May 29, 2006

Former Prime Minister Yoshiro Mori, appearing on a TV-Asahi program yesterday, clearly stated that whoever becomes Prime Minister Koizumi's successor, that person must not visit Yasukuni Shrine, saying: "If he thinks it's important to mend relations (between Japan and China), he must not pay homage at the shrine." He also urged Yasukuni Shrine to take steps voluntarily in response to some LDP members' call for the separate enshrinement of Class-A war criminals, saying:

"If national interests are being damaged severely by the collective enshrinement of Class-A war criminals at Yasukuni, the shrine must make an appropriate decision. Although the prime minister has repeatedly described the Yasukuni issue as a matter of the heart, it has escalated into a political issue. The matter does not work positively for Japan's national interests. It must be considered from a broad perspective."

Mori also took a negative view about the idea of building a national war memorial, put forward by a panel when Yasuo Fukuda was serving as chief cabinet secretary, saying: "I don't think such is possible. Japanese people have special sentiments for Yasukuni Shrine."

18) Poll: Private sector to boost capital investment by double digits for third consecutive year

NIHON KEIZAI (Top Play) (Excerpts)
May 29, 2006

The private sector is expected to boost capital outlays in fiscal 2006, according to a survey on capital investment conducted by the Nihon Keizai Shimbun. In their initial plans, companies in all industries (consolidated basis, total figures of capital spending inside and outside of Japan) will increase capital investment by more than 14.5% on average over fiscal 2005, marking a double-digit surge for the third consecutive year for the first time since the bubble period. Given the strong performance of the digital area, manufacturing industries, led by electrical machinery and materials, will boost investment by 17.0%, while non-manufacturing industries will also log a 10.3% increase, the first double-digit surge in 15 years. If the current trends of a strong yen and falling stock prices persist, companies might lose momentum, but investment is likely to continue to serve as a locomotive for the nation's economy for a while.

According to the plans of 1,498 companies that responded to the survey by May 16, the growth rates of all industries will expand for the third consecutive year. The yearly rate of increase in fiscal 2006 will also be the second highest, following the 15.4% recorded in fiscal 1989.

(Corrected copy) Prime minister's US visit to start on June 27

SANKEI (Page 3) (Full)

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May 26, 2006

US aims to underscore difference in treatment to Japan, China

Prime Minister Junichiro Koizumi will visit Canada and the US from June 27 through July 1, according to an official announcement by Chief Cabinet Secretary Shinzo Abe in a press conference yesterday. In his last tour of the US before leaving office in September, the prime minister wants to highlight the Japan-US alliance in a global context.

President George W. Bush and Koizumi are expected to exchange views in their meeting on June 29 on reconstruction assistance for Iraq, where the security situation is still looking grim despite the inauguration of a full-scale government. The two leaders are also likely to discuss North Korea's nuclear and abduction issues.

Prior to the US visit, the prime minister will also visit Canada to meet Prime Minister Stephen Harper - the first since Harper took office - in Ottawa on June 28.

Ahead of the G-8 summit (Sankt Peterburg Summit) in Russia in mid-July, the prime minister will coordinate views with the US and Canadian leaders on various issues facing the international community.

US likely to treat Koizumi as state guest

Takashi Arimoto, Washington

Prime Minister Junichiro Koizumi is not the chief of state, so the upcoming US tour is an "official visit," as said by Presidential spokesperson Snow. But the US is likely to treat Koizumi as a de facto state guest by arranging a banquet for him. When Chinese President Hu Jintao visited the US in April, the US held only a luncheon. According to a US government source, Washington's red-carpet treatment, unlike the one to the Chinese leader, "is also intended to demonstrate the close alliance between Japan and the US."

Snow said: "The Japan-US alliance is based on common values and agenda items," adding that the two leaders are expected to discuss antiterrorism, the protection of freedom and democracy, the promotion of security and prosperity in Asia, and other issues.

President Bush has rarely held a banquet since assuming the presidency, but he did hold one for Australian Prime Minister John Howard on May 16. Australia has also dispatched troops to Iraq, like Japan.

Bush has highly appreciated Japan and Australia for the cooperation they have extended in fighting terrorism in Afghanistan and Iraq since the terrorist attacks on the US in September 2001.

Washington's treatment of Prime Minister Koizumi also reflects the President's desire to "offer highest-level hospitality" before he leaves office in September, in order to convey his personal appreciation for his cooperation for Iraq reconstruction.

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SCHIEFFER